

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 INR-07 NSAE-00 EB-07

COME-00 TRSE-00 SS-15 SP-02 L-03 H-01 PRS-01 /059 W

-----202126Z 114098 /66

R 192145Z JAN 77

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 2093

INFO AMEMBASSY MADRID

C O N F I D E N T I A L MANAGUA 0291

E.O. 11652: NA

TAGS: EFIN, ETRD, PFOR, NU, SP

SUBJECT: SPANISH-NICARAGUAN RELATIONS

REF: (A) MADRID 372, (B) MANAGUA 134 (NOTAL, (C) MANAGUA 214

1. ALLEGATION ATTRIBUTED TO SPANISH AMBASSADOR IN MANAGUA (REF A) TO THE EFFECT THAT THIS MISSION HAD SENT A "MEMORANDUM" TO GON EXPRESSING USG CONCERN THAT SPANISH BEING TOO ACTIVE IN AREAS IN WHICH US HAD PARTICULAR INTEREST IS PATENTLY FALSE. IT IS TRUE, AS REPORTED REF C AND EARLIER, THAT SPANISH CURRENTLY MORE ACTIVE IN NICARAGUA THAN IN PAST BUT WE HAVE NOT OBJECTED TO THIS EITHER ORALLY OR IN WRITING. RATHER, IN FACE OF INCREASED ECONOMIC COMPETITION FROM JAPAN, ITALY, SPAIN AND OTHER COUNTRIES, WE HAVE REDOUBLED OUR EFFORTS TO PROMOTE SALES OF US GOODS AND SERVICES.

2. IN OUR ATTEMPTS TO ASSURE THAT US SUPPLIERS GET A FAIR SHARE OF GON CONTRACTS WE HAVE NOT BEEN LOATH TO POINT OUT TO GON OFFICIALS AT ALL LEVELS THE ADVANTAGES WE BELIEVE WOULD ACCRUE TO GON BY PURCHASING FROM THE US RATHER THAN FROM OTHER SOURCES. INDEED, WHEN LOCAL REPRESENTATIVES OF US MANUFACTURERS RECENTLY INFORMED US OF THE TREMENDOUS SAVINGS (\$5.8 MILLION) WHICH THE GON COULD MAKE BY BUYING US RATHER THAN SPANISH TRUCKS AND FRONT-END LOADERS OF COMPARABLE QUALITY, WE DREW THIS

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DISCREPANCY TO PRESIDENT SOMOZA'S ATTENTION (REF B). WHEN THE LATTER ASKED FOR A COPY OF THE COMPUTATION OF PER UNIT COSTS THAT WE HAD WORKED OUT, WE PROVIDED THE DATA IN AN INFORMAL NOTE WHICH DENIGRATED NEITHER SPAIN NOR SPANISH EQUIPMENT. OUR FIGURES DID, HOWEVER, DEMONSTRATE GRAPHICALLY THAT COMPARABLE US EQUIPMENT WAS SUBSTANTIALLY CHEAPER THAN THE SPANISH GOODS OFFERED AND THAT THE SPANISH FINANCING TERMS, THOUGH ATTRACTIVE WOULD NOT OFFSET

THE VAST PRICE DIFFERENTIAL, E.G. \$15,000 PER TRUCK AND SOME \$20,000 PER LOADER. MOREOVER, WE REFERRED TO THE AVAILABILITY OF US OFFICIAL AND COMMERCIAL BANK FINANCING FOR SUCH EQUIPMENT PURCHASES.

3. WE SUSPECT THAT ONE OF SOMOZA'S AIDES MAY HAVE DISTORTED OUR PRESENTATION TO THE PRESIDENT IN SUBSEQUENT CONVERSATIONS WITH THE SPANISH AMBASSADOR. AS NOTED IN REF B AND C, THERE ARE SOME IN SOMOZA'S ENTOURAGE WHO MAY HAVE A VESTED INTEREST IN THE \$40 MILLION SPANISH LOAN TO NICARAGUA AND WHO MAY RESENT OUR EFFORTS TO PROMOTE US EQUIPMENT.

4. WE SUGGEST THAT THE DEPARTMENT INSTRUCT EMBASSY MADRID TO REPLY TO FONMIN OREJA ON THE FOLLOWING LINES: IT IS NOT TRUE THAT THE USG, INCLUDING THE AMERICAN EMBASSY AT MANAGUA, HAS PRESENTED SUCH A MEMORANDUM TO THE GON. NEITHER IS IT TRUE THAT THE AMERICAN EMBASSY HAS IN ANY WAY SOUGHT TO DISCRIMINATE AGAINST SPAIN OR SPANISH INTERESTS IN NICARAGUA. RATHER, THAT EMBASSY IS ACTIVELY AND OPENLY PROMOTING THE SALE OF US GOODS AND SERVICES IN COMPETITION WITH SUPPLIERS FROM MANY COUNTRIES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, ECONOMIC ASSISTANCE, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MANAGU00291
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770022-0050
Format: TEL
From: MANAGUA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770137/aaaabgow.tel
Line Count: 83
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b5eaa2d4-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 MADRID 372, 77 MANAGUA 134, 77 MANAGUA 214
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3560270
Secure: OPEN
Status: NATIVE
Subject: SPANISH-NICARAGUAN RELATIONS
TAGS: EFIN, ETRD, PFOR, NU, SP
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b5eaa2d4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009